FREQUENTLY ASKED QUESTIONS:
MADISON COUNTY BUDGET

Q: What is a "fiscal year"? A Fiscal Year is a twelve month period which is used as the accounting and appropriation period for a business or unit of government. The fiscal year is the accounting and bookkeeping period on which state and local budgets are based, and on which financial statements and audits are based. Virginia requires a uniform fiscal year for all localities and school divisions, which must begin on July 1 and end on June 30 the following year, Va. Code 15.2-2500.

Q: What is a "tax year"? A tax year is a standard twelve-month period used for computing a taxpayer's tax liability, whether federal, state or local. Generally, localities are required to assess property for purposes of taxation on a calendar-year basis. The beginning of the tax year is January 1, and the owner of taxable property is assessed with taxes for the year beginning on that day. Va. Code 58.1-3281; 58.1-3515. Taxes assessed for a particular calendar year may be collected by the County in one or two installments, Va. Code 58.1-3916.

- In localities that collect their taxes once per tax year, payment of those assessed taxes is due in December of the applicable tax year (i.e., taxes paid on December 5, 2008 are for the Tax Year January 1-December 31, 2008). Va. Code 58.1-3915. These localities must operate for 6 months of every Fiscal Year before any cash will flow in from tax collections.
- In localities which collect taxes twice per year, payment of assessed taxes is divided into two installments, due on June 5 and December 5 of the applicable tax year (i.e., taxes paid on June 5 and December 5, 2008 are for the Tax Year January 1 through December 31, 2008). Va. Code 58.1-3916. In these localities, one-half of their annual revenue from tax collections is available at the beginning of each fiscal year (July 1) and the other half is collected and available for the second half of the fiscal year (beginning January 1).

Q: How is a person's annual tax liability determined and billed? Each calendar year, the commissioner of revenue is required to determine the value of taxable real estate and personal property, as of January 1. The commissioner is then required to prepare two "Tax Books"—one for real estate and one for personal property—showing the value of property owned by a taxpayer. Once the Board of Supervisors sets the applicable tax rate for the year, the commissioner enters the tax rate next to the assessed value and calculates the total amount of tax due from each taxpayer for that Tax Year. Once the Commissioner completes the Tax Books, she delivers them to the Treasurer. The Treasurer then prepares the tax bills based on the figures presented to her by the Commissioner. If taxes are payable annually, the Treasurer bills the entire amount due from each taxpayer, due on December 5. Where taxes are payable semiannually, the Treasurer the taxes due in two approximately equal installments: due June 5 and December 5.

Q: What is a budget, for purposes of County government? Localities are required to approve a budget, and fix a tax rate for the then-current Tax Year, no later than July 1 each year. Va. Code 15.2-2503. A budget is a document approved by the Board of Supervisors for informative and fiscal planning purposes, containing an itemized and classified plan of contemplated expenditures, and estimated revenues and borrowings, for the ensuing *fiscal year*. A budget contains an estimate of taxes and other revenues anticipated to be available during the fiscal year, regardless of the date on which those taxes are or were actually paid. The Board of Supervisors may amend its approved budget in order to adjust the aggregate amount to be appropriated for expenditures; however, any budget amendment that exceeds one percent (1%) of the total expenditures shown in the current budget requires a public hearing before it can be approved by the Board. Va. Code 15.2-2507.

Q: What is the deadline for the Board of Supervisors to adopt a budget each year? The basic rule is that the board of supervisors must adopt a final budget no later than June 30 each year. *However,* there is a separate requirement that the board must approve a budget for the school division no later than May 1 each year. See Va. Code §22.1-93. [1] Therefore, unless the board wishes to approve the school's budget separately from the overall county budget, as a practical matter the board's deadline for approval of a budget is April 30.

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[1] The deadline is May 1, or within 30 days of the County's receipt of state funding estimates from the State Superintendent, whichever shall later occur. Va. Code 22.1-93. The State Superintendent almost always issues

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Q: How do taxes collected from citizens become available for expenditure? When taxes are received from taxpayers, the money is placed into the County's bank accounts. Until the Board of Supervisors takes formal action to appropriate the money, that money cannot be considered available, allocated or expended for any purpose. The Madison County Board of Supervisors appropriates money for expenditures on an annual basis, usually at the same time it approves its annual budget. The Board may approve supplemental appropriations during the fiscal year to reflect additional revenue received during that fiscal year. Funds collected but not expended in one fiscal year are carried over to succeeding fiscal years and may be re-appropriated for expenditure in those years, Va. Code 58.1-3001. (*As a result, the date(s) on which taxes are billed and collected affects the County's cash flow, but not the County's budget, which shows the aggregate revenue expected to be available during a fiscal year. Every person's tax liability is calculated on a calendar year ("tax year") basis, and a person's annual tax liability will be the same dollar amount regardless of whether it's collected once or twice per year*).

Q: **How does the County monitor expenditures and compliance with the budget during the course of each fiscal year**? Several years ago, the County was informed by its auditors that its financial books and records could no longer be kept on a cash basis as had been done for many years. (Government accounting standards now require use of accrual accounting methods). As part of updating its accounting procedures, the County has implemented an integrated accounting system [computerized]. This integrated system uses a system of accounting codes consistent with those prescribed by the Virginia Auditor of Public Accounts, and allows revenues and expenditures attributable to the County, the School division and the Board of Social Services to be tracked as they flow in and out of the County's General Fund. As bills are paid each month, each expenditure is coded as to the department and specific line item to which the expenditure is to be credited, and also with reference to the vendor who receives payment. Each month the Board of Supervisors receives a detailed expenditure report which shows, by individual departments and line items, and by vendor, how much money has been spent, what a department's year-to-date expenditures have been, and the amount of the original approved budget for that department. This allows the County to track expenditures, in greater detail than ever before, and to keep data that will assist in analyzing budget trends and eventually, as more data is accumulated in the system, to make more accurate long-term projections.

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funding estimates in March of each year (even if the state's budget has not yet been finalized) so as a practical matter the deadline for approval of a school budget rarely extends beyond May 1.